

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SCI-06 SCEM-02 INT-08 COME-00 SPC-03

AID-20 EB-11 NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20*

STR-08 OMB-01 CEA-02 CIAE-00 DODE-00 INR-10 NSAE-00

PA-04 USIA-15 PRS-01 DRC-01 /146 W

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R 062123Z DEC 73

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 5834

INFO AMEMBASSY CARACAS

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

RUESJVAXAMEMBASSY SAN JOSE 2927

AMEMBASSY SAN SALVADOR

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E.O. 11652: N/A

TAGS: ENRG, HO

SUBJECT: PETROLEUM ACCORD ANNOUNCED OFFICIALLY

REF: TEGUCIGAL*A 4521**ND TEGUCIGALPA 4550

1. MINECON BENNATON RAMOS ON NATIONAL TV AND RADIO HOOKUP
DEC. 5 ANNOUNCED ACCORD WITH TEXACO ON PETROLEUM PRICES AND
SUPPLY. HE GAVE FULL BACKGROUND OF GOH POLICY DURING PAST
9 MONTHS, DISCUSSED THE PROGRESSIVE STAGES OF NEGOTIATIONS,
AND ANNOUNCED FINAL OUTCOME. EXPOSITION COMPLETE AND
GOVERNMENT IN REASONABLY GOOD DEFENSIVE POSITION RELATIVE
TO PUBLIC OPINION. FIRST REACTIONS FROM TRANSPORT SECTOR.
NO ACTION REQUESTED.

2. MINECON BENNATION STATED GOVERNMENT POLICY OF HOLDING
PRICES DURING PAST 9 MONTHS DIFFICULT TO MAINTAIN BUT HAD
RESULTED IN SAVINGS TO ECONOMY OF \$13.5 MILLION. WORLD
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PRICE AND SUPPLY CONDITIONS, HOWEVER, OVERWHELM POSSIBILITY

OF SMALL ECONOMY TO PERSIST IN PROTECTING INTERNAL PRICE LEVEL. THEREFORE, AGREEMENT SOUGHT AND OBTAINED WITH TUXACO. AGREEMENT PROVIDES FOR SHARP PRICE INCREASES (APPROXIMATELY 50 PERCENT) AND OTHER CHANGES OF INTERNAL PRICE STRUCTURE SO AS TO REFLECT DISTRIBUTION COSTS.

3. CAREFUL STUDIES AND COOPERATION OF OFFICIALS OF THE GOVERNMENT OF VENEZUELA ASSURE THAT AGREEMENT REACHED IS BEST POSSIBLE, BENNATON SAID.

4. KEY ELEMENT IS THAT PRICE INCREASES EFFECTIVE DEC 17 WILL ASSURE NECESSARY SUPPLIES TO THE ECONOMY. FLEXIBILITY OF PRICES PROVIDED FOR AND SUBSEQUENT DISCUSSIONS PLANNED FOR JAN. 1, MAR. 1 AND EVERY 2 MONTHS FOLLOWING. TOTAL REFINERY INPUT TO REACH 13,000 BARRELS DAILY ABOUT DEC. 18 WITH A PRICE OF \$8.26 PER BARREL OF CRUDE EFFECTIVE UNTIL JAN. 1.

5. MINISTER REPORTED ON DISCUSSIONS WITH TRANSPORT INDUSTRY LEADERS AFTERNOON DEC. 5 IN WHICH GOVERNMENT CONCEDED 50 PERCENT INCREASE IN URBAN TRANSPORT FARES (FROM 5 CENTS TO 7.5 CENTS). TRANSPORT INTERESTS REPORTED BY BENNATON TO HAVE GRUDGINGLY ACCEPTED THIS INCREASE. HOWEVER, FUTURE REACTION AND POSSIBLE DEMONSTRATIONS COULD DEVELOP.

6. COMMENT: BENNATON'S CALO PRESENTATION BELIED
?48,(-, #80 -, \$ 049:4- 58,-589, 3;8\$3,:3\$?6 &9;34,,3,5
8, 0- 5 4 MONTHS. WE BELIEVE TEXACO'S RESPONSIVENESS TO BE
STRONGLY COMMENDED.

7. FOR CARACAS: WE FIND NO EVIDENCE AS YET THAT HONDURANS AWARE OF SIDE PLAY AGAINST TEXACO ON ROYALTY OIL. VENEZUELANS MAY BE STRINGING THEIR OWN BOY FOR FUTURE ACTIONS. SANCHEZ

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